

CITY OF TAMA, IOWA
INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
JUNE 30, 2011

CITY OF TAMA, IOWA
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CITY OF TAMA, IOWA
OFFICIALS
June 30, 2011

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Chris Bearden	Mayor	January, 2012
Robert Tyynismaa	Council Member	January, 2014
Steve Baier	Council Member	January, 2012
Dan Zimmerman	Council Member	January, 2014
Jeff Brezina	Council Member	January, 2012
Joshua Youngbear	Council Member	January, 2012
Judy Welch	City Clerk	Appointed
Dan Rathjen	City Attorney	Appointed

Gronewold, Bell, Kyhnn & Co. P.C.

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KENNETH P. TEGELS
CHRISTOPHER J. NELSON
DAVID A. GINTHER

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Tama, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of City of Tama's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Tama as of June 30, 2011, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated January 3, 2012 on our consideration of the City of Tama's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and important for assessing the results of our audit.

To the Honorable Mayor and
Members of the City Council

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 4g and 19 through 20 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Tama's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2010 (none of which are presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. The financial statements for the seven years ended June 30, 2009 (none of which are presented herein), were audited by other auditors whose reports expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. The supplementary information included in Schedules 1 through 8, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

Gumewald, Ben, Kyhn & Co. P.C.

Atlantic, Iowa
January 3, 2012

CITY OF TAMA

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Tama, Iowa 52339

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Tama provides this Management's Discussion and Analysis (MD&A) of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the City's financial statements and notes that follow. It should be noted that the information contained here would provide information on both the governmental operations and the business type activities of the City.

2011 FINANCIAL HIGHLIGHTS

- FY 2011 overall revenues increased by 26.45% or \$798,450 from the previous year. \$472,284 is revenue from the water improvement project.
- Overall total disbursements increased by 15.96% or \$486,931 from FY 2010. \$487,304 is expenses for the water improvement project.
- The City's total cash basis net assets increased 7.38% or \$279,129 from June 30, 2010 to June 30, 2011. Of this amount the assets of governmental activities increased \$267,778 or 8.03% and the assets of business type activities increased \$11,351 or 2.54%.
- Fiscal Year 2011 saw the construction of an aeralater for the water plant. This is a \$1,005,878 project funded with State Revolving Funds and American Recovery and Reinvestment Act of 2009 grant. Total expenses for FY 2011 spent for the project - \$796,758. Other expense is noted in FY 2010.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statement tells how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other supplementary information provides detailed information about the non-major governmental funds.

BASIS OF ACCOUNTING

The City of Tama maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

The Statement of Activities and Net Assets informs the reader of how the City is performing financially as a result of the year's activities. Over time increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include Public Safety, Public Works, Health and Social Services, Culture and Recreation, Community and Economic Development, General Government, Debt Service and Capital Projects. Property tax, State and Federal grants, investment interest and charges for services finance most of these activities.
- Business Type Activities include the Water and Sewer. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

- Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds which includes Road Use Tax; Urban Renewal Tax Increment and Trust and Agency, 3) the Debt Service Fund and 4) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a statement of cash receipts, disbursements and changes in cash balances.

- Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. For the City of Tama this includes the Water and Sewer Funds, which are considered two major funds. The Sewer Fund includes funding for Sewer Rehabilitation, Sewer Replacement, and the Sewer Revenue Bond Fund. The Water Fund includes the Water Improvement Project and Water Revenue Bond. The required financial statements for the proprietary funds include a statement of cash receipts, disbursements and changes in cash balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities

	<u>FY 2011</u>	<u>FY 2010</u>	<u>FY 2009</u>	<u>FY 2008</u>
Revenues:				
Property Tax	\$ 810,706	\$ 796,693	\$ 801,098	\$ 712,597
Tax Increment Financing	--	280	14,346	146,711
Other City Tax	24,913	27,699	27,243	27,215
Local Option Tax	167,427	164,157	163,526	160,794
Use of Money and Property	76,727	98,575	115,714	133,115
Licenses and Permits	22,470	21,432	23,201	22,074
Intergovernmental	747,994	436,193	365,229	320,417
Charges for service	278,591	305,211	275,908	216,762
Miscellaneous	<u>150,832</u>	<u>126,244</u>	<u>138,064</u>	<u>130,476</u>
Total Revenue	2,279,660	1,976,484	1,924,329	1,870,161
Disbursements:				
Public Safety	661,424	662,443	619,137	652,322
Public Works	446,472	462,054	493,610	393,019
Health and Social Services	8,013	5,918	5,902	5,148
Culture and Recreation	233,054	231,711	222,852	212,392
Community and Economic Development	34,246	13,952	19,618	22,295
General Government	149,633	145,019	142,122	137,601
Debt Service	256,101	256,496	251,516	256,386
Capital Projects	<u>222,939</u>	<u>258,189</u>	<u>219,250</u>	<u>257,080</u>
Total Disbursements	2,011,882	2,035,782	1,974,007	1,936,243
Other Financing Sources:				
Sale of Assets	--	930	1,500	15,506
Operating Transfers In, net	<u>--</u>	<u>9,404</u>	<u>--</u>	<u>--</u>
Increase (decrease) in cash basis net assets	267,778	(48,964)	(48,178)	(50,576)
Cash basis net assets beginning of year	<u>3,334,926</u>	<u>3,383,890</u>	<u>3,432,068</u>	<u>3,482,644</u>
Cash basis net assets end of year	<u>\$ 3,602,704</u>	<u>\$ 3,334,926</u>	<u>\$ 3,383,890</u>	<u>\$ 3,432,068</u>

The City's total revenue for governmental activities increased by 15.34% or \$303,176 from FY 2010 to FY 2011. Increases in revenue included a payment from the Iowa Department of Transportation as we accepted old Highway 30, in the city limits, in the amount of \$360,000. Landfill collection fees were increased due the increased cost to the city for the use of the county landfill; an increase of \$6,997. The city collects revenue to pay the county landfill levy by charging \$2.51 a month on all water/sewer bills.

Ambulance service revenue decreased as we collected revenue of \$264,889 for FY 2011 and \$286,865 for FY 2010.

Local Option Sales Tax (LOST) revenue of \$167,427 supported the Aquatic Center operation, bonds and interest. There was an increase of \$3,270 of LOST funds from FY 2010 to FY 2011.

The city did not apply for Tax Increment Financing in FY 2011. Downtown projects for FY 2011 included a loan of \$25,000 to one of the downtown businesses and beautification of \$2,784.

The city received I-Job funds, a two year revenue source from the Department of Transportation in the amount of \$11,928 for FY 2010 and \$14,514 for FY 2011.

Revenue from investment interest decreased \$21,848 for FY 2011 in the amount of \$76,727.

The total disbursements for all programs and services for governmental activities decreased by 1.17% or \$23,900 from the FY 2010 disbursements.

Public Works expenses decreased by \$15,582 in FY 2011. In FY 2010 the city had purchased a road grader.

Public Safety, Health and Social Services, Culture and Recreation, and General Government showed no significant changes in expenses for FY 2011.

Capital Projects: FY 2011 indicates a decrease of \$35,250. The Safe Routes to School Program had come to a close; we did not give a large donation to the local theatre or demolished any homes in FY 2011. We did not replace any sidewalks or furnish trail mix for the recreation trail which all created the decrease in FY 2011.

Capital Projects – Continued – A balance of general obligation bond revenue received for street and water improvements some years back helped the funding of capital improvements to a curb and gutter project in the amount of \$120,823 which includes \$19,800 of engineering. The City of Toledo and the City of Tama had received federal grant funds to resurface Toledo's Broadway Street and Tama's McClellan Street (which is the same street). However, curb and gutter work needed to be completed by Tama before the project could begin. The City of Toledo handled the financial part of the project. There remains a balance of funds from the general obligation bond issue that will be used in the FY 2012 for another street project and water replacement valves.

Tax askings for FY 2011 were \$15.90 increasing taxes by \$.06 from FY 2010. Other fiscal years the taxes were as follows: FY 2010 - \$15.84; FY 2009 - \$15.77; FY 2008 - \$15.77; and FY 2007 - \$15.54. Taxable Valuation decreased \$641,955.

- Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. For the City of Tama this includes the Water and Sewer Funds, which are considered two major funds. The Water Fund includes the Water Improvement Project Fund and the Water Revenue Bond. These two water funds are new to FY 2010. The Sewer Fund includes funding for Sewer Rehabilitation, Sewer Replacement, and the Sewer Revenue Bond Fund. The required financial statements for the proprietary funds include a statement of cash receipts, disbursements and changes in cash balances.

Changes in Cash Basis Net Assets of Business Type Activities

	<u>FY 2011</u>	<u>FY 2010</u>	<u>FY 2009</u>	<u>FY 2008</u>
Revenue:				
Charges for Services:				
Water	\$ 255,447	\$ 247,105	\$ 283,639	\$ 266,896
Water Rev Bond	36,800	25,761	--	--
Sewer	227,527	216,417	183,917	171,174
Sewer Rev Bond	140,100	137,452	136,152	135,480
Other General Revenue	50,016	50,016	50,016	50,016
Operating Grants, Contributions, Interest	7,564	9,356	11,863	12,986
Water Proceeds from Debt	791,142	318,858	--	--
Miscellaneous	<u>28,674</u>	<u>37,031</u>	<u>--</u>	<u>--</u>
Total Revenue	1,537,270	1,041,996	665,587	636,552
Disbursements:				
Water	263,387	241,922	233,489	233,262
Water Project	796,758	309,454	--	--
Water Rev Bond	44,623	2,369	--	--
Sewer	281,047	314,236	281,825	255,851
Sewer Rev Bond	140,104	137,703	136,150	135,474
Transfers Out, net	<u>--</u>	<u>9,404</u>	<u>--</u>	<u>--</u>
Disbursements	<u>1,525,919</u>	<u>1,015,088</u>	<u>651,464</u>	<u>624,587</u>
Increase in Cash Balance	11,351	26,908	14,123	11,965
Cash Basis Net Assets Beginning of Year	<u>446,858</u>	<u>419,950</u>	<u>405,827</u>	<u>393,862</u>
Cash Basis Net Assets End of Year	<u>\$ 458,209</u>	<u>\$ 446,858</u>	<u>\$ 419,950</u>	<u>\$ 405,827</u>

The business type activities revenue for FY 2011 was \$1,537,270 compared to \$1,041,996 in FY 2010. This increase in revenue of \$495,274 is due to proceeds from debt to finance the water improvement project.

March 2010 sewer rates were increased to \$4.62 per 1,000 gallons based on water consumption. This rate increased sewer revenue by \$13,758. A 2% rate increase has been established for each year to cover expenses.

March 2010 water rates were increased to \$12.17 for the first 2,000 gallons and \$2.26 per 1,000 gallons. This increased the water revenue by \$19,381. This extra revenue will be used to pay on the new water revenue bond issue. Water too will have a 2% rate increase each year.

The Water Revenue Bond has been set as the Water Improvement Project has been completed during this fiscal year. The American Recovery Reinvestment Act (ARRA) Forgivable Loan has been approved for a total of \$355,000. The State Revolving Fund Loan has been accepted as a loan for \$755,000.

Disbursements in FY 2011 totaled \$1,525,919 where disbursements of FY 2010 were \$1,015,088 an increase of \$510,831. The construction of the water aeralater proved to be the increase in expenses along with paying the new water revenue bond issue.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Tama completed the year; its governmental funds reported a combined fund balance of \$3,602,704 an increase of \$267,778 from FY 2010 balance of \$3,334,926. The following are the main reasons for the changes in fund balances of the major funds.

Ending cash balances for the General Fund increased \$218,546. This increase is due to moving the Downtown Revitalization Funds from Capital Funds to the General Fund balances.

The Road Use Tax cash fund increased by \$40,857. Revenue received by the State decreased by \$13,606 for the year. The city did not purchase any large pieces of equipment.

The Capital Project cash funds includes cash balances from Capital Projects, Capital Projects – Community Development, Capital Reserves, Street Improvements '06, Water Projects Improvements, DOT Street Fund and the Aquatic Center Fund. FY 2011 \$2,401,049 and FY 2010 \$2,415,223 a decrease of \$14,174. The increase in cash balances are from Iowa Department of Transportation funds for inheriting old Highway 30 from the State. A decrease in the Street Improvements '06 Cash Fund is due to the curb and gutter Broadway/McClellan Street Improvement Project. Also, the Downtown Revitalization Fund balance was transferred to the General Fund and is no longer included as a Capital Project. Revitalization is now included in the General Cash Balance Funds per the city audit for FY 2011.

Cash balances for the Trust and Agency Fund indicated an increase of \$27,455. Revenues continued to be increasing, totaling \$90,354 for the fiscal year with expenses at \$62,899. Thus providing the additional cash balance with no significant purchases or revenue. Trust and Agency includes Police, Library, Ambulance, Cemetery and Fire savings from donations.

The City's Employee Benefit fund used for partial self-funding of health insurance saw an increase in the available cash of \$5,941. \$10,483 was expended to employees for health care deductibles.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

The Water Fund cash balances increased in FY 2011 to \$11,519 (FY 2011 - \$288,715 and FY 2010 - \$277,196). The Water Fund now includes a State Revolving Water Revenue Bond for \$755,000. The additional revenue is due to the increase in water rates to support the principal and interest for the next twenty years of the bond. The Water Fund enables the contracting of water services with Veolia Water where the city contract increased less than 1% or \$8,872 for FY 2011. July 1, 2011 terminates the contract with Veolia Water operating the water plant. The city will operate the plant with the anticipation of seeing operation costs decreasing.

The Sewer Fund cash balances demonstrated a decrease in cash balances in the amount of \$168. Even with the sewer rates increasing 2% each year it still proves that this is not enough rate increase to operate the sewer plant efficiently. No major sewer projects were done as the city's efforts were on the water aerolater project. The operating expenses had increased \$22,200 from FY 2010 as the city expended engineering fees of \$18,000 for projects that are being discussed for FY 2012. A by-products plant is requesting to bring industrial waste which is requiring additional engineering for the rate study. Also engineering is being done on the lift station of the plant for future maintenance. To have funds available to improve sewer mains the City deposits \$25,000 each year into the Sewer Rehabilitation Fund. The City also deposits \$25,000 each year to the Sewer Replacement Fund to support major projects in the replacement of sewer equipment. The City contracts the sewer services with Veolia Water and their contract service agreement for the year increased \$4,199 just over 2%. July 1, 2011 terminates the contract with Veolia Water operating the wastewater plant. The city will operate the plant with the anticipation of seeing operation costs decreasing.

BUDGETARY HIGHLIGHTS

On September 20, 2010 the City amended the budget to increase expenditures for capital projects, the water improvement project, safe routes to school expenses and grant funds that were passed onto the Recreation Trail and Chamber projects. Total budgeted expenses increased \$812,819. Revenues were increased due to the same projects as listed for expense which included bond proceeds for the water plant project. Total budgeted revenue and other financing sources increased \$912,601.

DEBT ADMINISTRATION

As of June 30, 2011, the City of Tama had \$3,352,000 in outstanding debt compared to \$4,089,000 at the end of June of 2010. Monies generated from local option taxes will pay for the Aquatic Bond issues. The Sewer Revenue Bond issue will continue until June of 2014. Aquatic Bond issues will mature June of 2024. The G.O. Improvement bond issue will mature June of 2021. The new Water Revenue Bond issue will continue until June 2030. The \$355,000 of Water Revenue Bonds dated January, 2010 were forgiven in accordance with the forgivable loan debt agreement.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$2,220,000 is below the constitutional debt limit of \$4,618,573 for FY 2011.

Outstanding Debt at Year-End

Outstanding Debt As Of:	2011	2010	2009
Sewer Rev. Bond \$1,784,000 Issued December 1992	404,000	528,000	646,000
2004 A -Aquatic Bond \$1,165,000 Issued August 1, 2004	890,000	940,000	990,000
2004 B- Aquatic Bond \$300,000 Issued August 1, 2004	235,000	250,000	260,000
General Oblig. Bond \$1,500,000 Issued August 1, 2006	1,095,000	1,180,000	1,265,000
Water Rev. Bond \$755,000 Issued December 9, 2009*	728,000	836,000	--
Water Rev. Bond \$355,000 Issued January 13, 2010	--	355,000	--
	3,352,000	4,089,000	3,161,000

* The Debt amount changed project expended less than approved at the beginning of the project.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

In FY 2011 the Council approved a \$25,000 loan to a local business for improvements to his business for a restaurant. This business is located in our tax increment financing district which will help improve our overall business district.

The City of Tama approved, this fiscal year, a new tax abatement to property owners that improve their properties. The previous abatement was for three years and we have now increased it to five years. With one home and two condos being constructed in FY 2011 we look for more property improvements to take advantage of the abatement. (These homes receive tax abatement for five years for the first \$75,000 of improved property valuation)

The City joined with the City of Toledo and completed the re-paving of McClellan Street (Toledo's name for the street is Broadway). Since new Highway 30 was constructed this year, the State eliminated one of the thru streets between Tama and Toledo. Leaving the McClellan Street open provided Federal Funding to improve the street. This new paved road provides easy transportation between the two cities.

The City of Tama applied for housing grant funds in December of 2010 in order to rehab 10 homes in Tama. The funds have been approved and projects will begin in FY 2012.

In FY 2011 the property tax levy will be at \$16.41. This is a \$.51 increase from FY 2010. The tax increase indicates increases in employee benefits. Taxable valuation increased \$1,355,841.

CONTACTING THE CITY'S FINANCIAL DEPARTMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any question about this report or need additional financial information contact the Tama City Clerk Judy Welch, 305 Siegel Street, Tama, Iowa 52339.

CITY OF TAMA, IOWA
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS

As of and for the year ended June 30, 2011

		<u>Program Receipts</u>	
	<u>Disbursements</u>	<u>Charges for Service</u>	<u>Operating Grants, Contributions, and Restricted Interest</u>
Functions/Programs:			
Governmental activities:			
Public safety	\$ 661,424	\$ 709,578	\$ 37,897
Public works	446,472	40,324	266,938
Health and social services	8,013	--	--
Culture and recreation	233,054	22,297	26,747
Community and economic development	34,246	759	28,500
General government	149,633	21,711	--
Debt service	256,101	--	--
Capital projects	222,939	--	--
Total governmental activities	<u>2,011,882</u>	<u>794,669</u>	<u>360,082</u>
Business type activities:			
Water	1,104,768	292,247	--
Sewer	421,151	417,643	--
Total business type activities	<u>1,525,919</u>	<u>709,890</u>	<u>--</u>
Total	<u>\$ 3,537,801</u>	<u>\$ 1,504,559</u>	<u>\$ 360,082</u>
General Receipts:			
Property tax levied for:			
General purposes			
Debt service			
Local option sales tax			
Unrestricted interest on investments			
Debt proceeds			
Miscellaneous			
Total general receipts and transfers			
Change in cash basis net assets			
Cash basis net assets beginning of year			
Cash basis net assets end of year			

(continued next page)

Program Receipts Capital Grants, Contributions, and Restricted Interest	Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
	Governmental Activities	Business Type Activities	Total
\$ --	\$ 86,051	\$ --	\$ 86,051
--	(139,210)	--	(139,210)
--	(8,013)	--	(8,013)
--	(184,010)	--	(184,010)
--	(4,987)	--	(4,987)
--	(127,922)	--	(127,922)
--	(256,101)	--	(256,101)
--	(222,939)	--	(222,939)
--	(857,131)	--	(857,131)
--	--	(812,521)	(812,521)
--	--	(3,508)	(3,508)
--	--	(816,029)	(816,029)
<u>\$ --</u>	<u>(857,131)</u>	<u>(816,029)</u>	<u>(1,673,160)</u>
	711,756	--	711,756
	123,863	--	123,863
	167,427	--	167,427
	76,727	7,564	84,291
	--	791,142	791,142
	45,136	28,674	73,810
	<u>1,124,909</u>	<u>827,380</u>	<u>1,952,289</u>
	267,778	11,351	279,129
	<u>3,334,926</u>	<u>446,858</u>	<u>3,781,784</u>
	<u>\$ 3,602,704</u>	<u>\$ 458,209</u>	<u>\$ 4,060,913</u>

CITY OF TAMA, IOWA
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS - Continued

As of and for the year ended June 30, 2011

		<u>Program Receipts</u>	
	<u>Disbursements</u>	<u>Charges for Service</u>	<u>Operating Grants, Contributions, and Restricted Interest</u>
Cash Basis Net Assets			
Restricted:			
Nonexpendable:			
Cemetery perpetual care			
Expendable:			
Debt service			
Streets			
Employee benefits			
Capital projects			
Other purposes			
Unrestricted			
Total cash basis net assets			

The accompanying notes are an integral part of these statements.

Program Receipts Capital Grants, Contributions, and Restricted Interest	Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
	Governmental Activities	Business Type Activities	Total
	\$ 57,437	\$ --	\$ 57,437
	12,487	58,390	70,877
	187,563	--	187,563
	2,401,049	--	2,401,049
	21,021	--	21,021
	149,230	--	149,230
	<u>773,917</u>	<u>399,819</u>	<u>1,173,736</u>
	<u>\$ 3,602,704</u>	<u>\$ 458,209</u>	<u>\$ 4,060,913</u>

CITY OF TAMA, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS

As of and for the year ended June 30, 2011

	<u>General</u>	<u>Special Revenue</u> <u>Road Use Tax</u>	<u>Employee</u> <u>Benefit</u>
Receipts:			
Property tax	\$ 466,672	\$ --	\$ 223,861
Other city tax	14,325	--	6,898
Licenses and permits	22,470	--	--
Use of money and property	60,168	--	1,452
Intergovernmental	116,743	266,938	--
Charges for service	278,591	--	--
Miscellaneous	45,688	--	--
Total receipts	<u>1,004,657</u>	<u>266,938</u>	<u>232,211</u>
Disbursements:			
Operating:			
Public safety	644,626	--	4,483
Public works	217,391	226,081	3,000
Health and social services	8,013	--	--
Culture and recreation	211,062	--	--
Community and economic development	5,746	--	--
General government	146,533	--	3,000
Debt service	--	--	--
Capital projects	28,658	--	--
Total disbursements	<u>1,262,029</u>	<u>226,081</u>	<u>10,483</u>
Excess (deficiency) of receipts over (under) disbursements	(257,372)	40,857	221,728
Other financing sources (uses):			
Operating transfers in	475,918	--	--
Operating transfers out	--	--	(215,787)
Total other financing sources (uses)	<u>475,918</u>	<u>--</u>	<u>(215,787)</u>
Net change in cash balances	218,546	40,857	5,941
Cash balances beginning of year	<u>555,371</u>	<u>146,706</u>	<u>15,080</u>
Cash balances end of year	<u>\$ 773,917</u>	<u>\$ 187,563</u>	<u>\$ 21,021</u>

(continued next page)

<u>Debt Service</u>	<u>Capital Projects</u>		<u>Nonmajor Governmental Funds</u>	<u>Total</u>
	<u>Capital Reserves</u>	<u>DOT Street Fund</u>		
\$ 120,173	\$ --	\$ --	\$ --	\$ 810,706
3,690	--	--	167,427	192,340
--	--	--	--	22,470
1,418	--	3,327	10,362	76,727
--	--	360,000	4,313	747,994
--	--	--	--	278,591
--	--	1,670	103,474	150,832
<u>125,281</u>	<u>--</u>	<u>364,997</u>	<u>285,576</u>	<u>2,279,660</u>
--	--	--	12,315	661,424
--	--	--	--	446,472
--	--	--	--	8,013
--	--	--	21,992	233,054
--	--	--	28,500	34,246
--	--	--	100	149,633
256,101	--	--	--	256,101
--	--	30,491	163,790	222,939
<u>256,101</u>	<u>--</u>	<u>30,491</u>	<u>226,697</u>	<u>2,011,882</u>
(130,820)	--	334,506	58,879	267,778
118,513	--	--	15,000	609,431
<u>--</u>	<u>--</u>	<u>--</u>	<u>(393,644)</u>	<u>(609,431)</u>
<u>118,513</u>	<u>--</u>	<u>--</u>	<u>(378,644)</u>	<u>--</u>
(12,307)	--	334,506	(319,765)	267,778
<u>24,794</u>	<u>1,773,308</u>	<u>--</u>	<u>819,667</u>	<u>3,334,926</u>
<u>\$ 12,487</u>	<u>\$ 1,773,308</u>	<u>\$ 334,506</u>	<u>\$ 499,902</u>	<u>\$ 3,602,704</u>

CITY OF TAMA, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES - Continued
GOVERNMENTAL FUNDS

As of and for the year ended June 30, 2011

	<u>General</u>	<u>Special Revenue</u> <u>Road Use Tax</u>	<u>Employee</u> <u>Benefit</u>
Cash Basis Fund Balances			
Nonspendable - Cemetery perpetual care	\$ --	\$ --	\$ --
Restricted for:			
Debt service	--	--	--
Streets	--	187,563	--
Employee benefits	--	--	21,021
Capital projects	--	--	--
Other purposes	--	--	--
Unassigned	<u>773,917</u>	<u>--</u>	<u>--</u>
Total cash basis fund balances	<u>\$ 773,917</u>	<u>\$ 187,563</u>	<u>\$ 21,021</u>

The accompanying notes are an integral part of these statements.

Exhibit B

<u>Debt Service</u>	<u>Capital Projects</u>		<u>Nonmajor Governmental Funds</u>	<u>Total</u>
	<u>Capital Reserves</u>	<u>DOT Street Fund</u>		
\$ --	\$ --	\$ --	\$ 57,437	\$ 57,437
12,487	--	--	--	12,487
--	--	--	--	187,563
--	--	--	--	21,021
--	1,773,308	334,506	293,235	2,401,049
--	--	--	149,230	149,230
--	--	--	--	773,917
<u>\$ 12,487</u>	<u>\$ 1,773,308</u>	<u>\$ 334,506</u>	<u>\$ 499,902</u>	<u>\$ 3,602,704</u>

CITY OF TAMA, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
PROPRIETARY FUNDS

As of and for the year ended June 30, 2011

	Enterprise	
	Water Fund	Water Filter Plant
Operating Receipts:		
Charges for service	\$ 255,447	\$ --
Total operating receipts	<u>255,447</u>	<u>--</u>
Operating Disbursements:		
Business type activities	<u>236,273</u>	<u>--</u>
Total operating disbursements	<u>236,273</u>	<u>--</u>
Excess (deficiency) of receipts over (under) disbursements	19,174	--
Non-operating receipts (disbursements):		
Interest on investments	4,229	--
Miscellaneous	28,669	--
Debt proceeds	--	791,142
Debt service	--	--
Capital projects	<u>(27,114)</u>	<u>(796,758)</u>
Total non-operating receipts (disbursements), net	<u>5,784</u>	<u>(5,616)</u>
Excess (deficiency) of receipts over (under) disbursements	24,958	(5,616)
Operating transfers in	--	5,616
Operating transfers out	<u>(5,616)</u>	<u>--</u>
Total operating transfers in (out), net	<u>(5,616)</u>	<u>5,616</u>
Net change in cash balances	19,342	--
Cash balances beginning of year	<u>227,304</u>	<u>--</u>
Cash balances end of year	<u>\$ 246,646</u>	<u>\$ --</u>
Cash Basis Fund Balances		
Restricted for debt service	\$ --	\$ --
Unrestricted	<u>246,646</u>	<u>--</u>
Total cash basis fund balances	<u>\$ 246,646</u>	<u>\$ --</u>

The accompanying notes are an integral part of these statements.

Sewer Fund	Enterprise	
	Nonmajor	Total
\$ 227,527	\$ 226,916	\$ 709,890
227,527	226,916	709,890
253,374	--	489,647
253,374	--	489,647
(25,847)	226,916	220,243
3,335	--	7,564
5	--	28,674
--	--	791,142
--	(184,727)	(184,727)
(5,837)	(21,836)	(851,545)
(2,497)	(206,563)	(208,892)
(28,344)	20,353	11,351
18,000	--	23,616
--	(18,000)	(23,616)
18,000	(18,000)	--
(10,344)	2,353	11,351
4,959	214,595	446,858
\$(5,385)	\$ 216,948	\$ 458,209
\$ --	\$ 58,390	\$ 58,390
(5,385)	158,558	399,819
\$(5,385)	\$ 216,948	\$ 458,209

CITY OF TAMA, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Tama, Iowa is a political subdivision of the State of Iowa located in Tama County. It was first incorporated in 1869 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water and sewer services for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Tama has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

These financial statements present the City of Tama (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

Blended Component Unit

The following component unit is an entity which is legally separate from the City, but is so intertwined with the City that it is, in substance, the same as the City. It is reported and budgeted as part of the City as a permanent fund.

The Oak Hill Cemetery Association is a nonprofit corporation established under Title 3, Chapter 5 of the City of Tama Code to beautify, adorn, and keep in good order the Oak Hill Cemetery. Although the association is legally separate from the City, it is controlled, managed, and supervised by the City of Tama, City Council. The Oak Hill Cemetery Association is reported as a permanent fund.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City, but do not meet the criteria of a joint venture since there is no ongoing financial interest by the participating governments. City officials are members of the following boards and commissions: Tama County Assessor's Conference Board, Tama County Emergency Management Commission, Tama County E911 Service Board, Tama County Solid Waste Disposal Commission, Tama County Economic Development Commission, and Tama-Toledo Swimming Pool Board.

CITY OF TAMA, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

B. Basis of Presentation

Government-wide Financial Statements

The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in the following categories/components:

Nonexpendable restricted net assets are subject to externally imposed stipulations which require them to be maintained permanently by the City, including the City's Permanent Fund.

Expendable restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds and enterprise funds are aggregated and reported as nonmajor governmental funds or enterprise funds, respectively.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

CITY OF TAMA, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Special Revenue:

The Road Use Tax Fund is used to account for the road tax allocation from the State of Iowa to be used for road construction and maintenance.

The Employee Benefit Fund is used to account for employee benefits.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

The Capital Reserves and DOT Street Fund Capital Projects Funds are utilized to account for all resources used in the acquisition and construction of certain capital facilities with the exception of those that are financed through enterprise funds.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Water Filter Plant Fund is utilized to account for all resources used in the water treatment rehabilitation improvement project.

The Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

C. Measurement Focus and Basis of Accounting

The City of Tama maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

CITY OF TAMA, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable - Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned - Amounts the Council intends to use for specific purposes.

Unassigned - All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

NOTE 2 - CASH AND POOLED INVESTMENTS

The City's deposits in banks at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2011, the City had the following investments:

	<u>Carrying Amount</u>	<u>Fair Value</u>
United States Savings Bonds Series HH	\$ 37,000	\$ 37,000

CITY OF TAMA, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 2 - CASH AND POOLED INVESTMENTS - Continued

Interest rate risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

Credit risk - The City had no investments with credit risk.

NOTE 3 - BONDS AND NOTES PAYABLE

Annual debt service requirements to maturity for general obligation bonds and notes and revenue bonds are as follows:

Year Ending June 30,	General Obligation Bonds and Notes		State Revolving Fund Loans		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 155,000	\$ 98,854	\$ 157,000	\$ 33,960	\$ 312,000	\$ 132,814
2013	165,000	92,599	164,000	29,250	329,000	121,849
2014	170,000	85,801	170,000	24,330	340,000	110,131
2015	175,000	78,671	31,000	19,230	206,000	97,901
2016	180,000	71,216	32,000	18,300	212,000	89,516
2017 - 2021	1,055,000	227,496	178,000	76,410	1,233,000	303,906
2022 - 2026	320,000	31,451	208,000	47,910	528,000	79,361
2027 - 2030	--	--	192,000	14,610	192,000	14,610
	<u>\$ 2,220,000</u>	<u>\$ 686,088</u>	<u>\$1,132,000</u>	<u>\$ 264,000</u>	<u>\$ 3,352,000</u>	<u>\$ 950,088</u>

Revenue Bonds

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$1,784,000 in sewer revenue bonds issued in October, 1993. Proceeds from the bonds provided financing for the repair and improvement of the sewer system. The bonds are payable solely from sewer customer net receipts and are payable through 2014. Annual principal and interest payments on the bonds are expected to require less than 85 percent of the net receipts. The total principal and interest remaining to be paid on the bonds is \$428,570. For the current year, principal and interest paid and total customer net receipts were \$139,840 and \$164,269, respectively.

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$1,191,000 in water revenue bonds issued in December, 2009 and January, 2010. Proceeds from the bonds provided financing for the repair and improvement of the water system. During fiscal year 2011, the water revenue bonds dated January, 2010 in the amount of \$355,000 were forgiven at the completion of the water system project in accordance with the forgivable loan agreement. The December, 2009 bonds are payable solely from water customer net receipts and are payable through 2030. Annual principal and interest payments on the bonds are expected to require less than 76 percent of the net receipts. The total principal and interest remaining to be paid on the bonds is \$967,430. For the current year, principal and interest paid and total customer net receipts were \$42,736 and \$55,974, respectively.

CITY OF TAMA, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 3 - BONDS AND NOTES PAYABLE - Continued

The resolutions providing for the issuance of the revenue bonds include the following provisions.

- a. The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the funds.
- b. Sufficient monthly deposits and transfers shall be made to separate water and sewer revenue bond sinking accounts within the Enterprise Funds for the purpose of making the bond principal and interest payments when due.

NOTE 4 - PENSION AND RETIREMENT BENEFITS

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Most regular plan members are required to contribute 4.50% (5.38% effective July 1, 2011) of their annual covered salary and the City is required to contribute 6.95% (8.07% effective July 1, 2011) of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2011, 2010, and 2009 were approximately \$46,100, \$43,000, and \$39,800, respectively, equal to the required contribution for each year.

The City offers its employees a deferred compensation plan as allowed by Internal Revenue Code Section 457. The plan allows City employees to defer a portion of their current salary until future years. The City's accounting and personnel departments are responsible for the accounting, reconciliations and record keeping associated with employees' enrollment, payments to the plan through payroll deductions, and timely transfer of withheld funds to the independent contractor for investment. The plan is designed so that each participant retains investment control of his/her individual account. The employees become eligible to withdraw funds upon termination, retirement, death or unforeseeable emergency.

The City's fiduciary responsibility is limited to due care in selecting contractors to administer the Plan. These contractors are responsible for withholdings and W-2s when the participants receive payments. The contractors are also required to submit an annual report to the City. The City is liable to a participant only for income lost because of its failure to send payment of a deferred amount as directed by the participant. The Plan assets are not included in the financial statements since the City does not own or hold in a trustee capacity the amounts deferred by employees and related income on those amounts.

CITY OF TAMA, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 5 - COMPENSATED ABSENCES

City employees accumulate vacation and sick leave hours based on the length of their employment. Sick leave is not a vested benefit. It is payable when used and may be accumulated to a maximum of 90 days. Vacation is payable when used and is cumulative only in isolated cases specifically approved by the City Council. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation payable to employees at June 30, 2011, primarily related to the General Fund, totaled \$22,256. This liability has been computed based on rates of pay in effect at June 30, 2011.

NOTE 6 - INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Local Option Sales Tax	\$ 54,000
	Employee Benefits	215,787
	Capital Projects:	
	Downtown	206,131
		<u>475,918</u>
Capital Projects:	Capital Projects:	
Capital Projects	Community Development	15,000
Debt Service	Special Revenue:	
	Local Option Sales Tax	8,119
	Capital Projects:	
	New Pool	110,394
		<u>118,513</u>
Enterprise Fund:	Enterprise Fund:	
Water Filter Plant	Water Fund	5,616
Enterprise Fund:	Enterprise Fund:	
Sewer Fund	Sewer Revenue Bond	18,000
		<u>\$ 633,047</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

CITY OF TAMA, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 7 - RISK MANAGEMENT

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 645 members include various governmental entities throughout the State of Iowa. The Pool was formed in August, 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials' liability, police professional liability, property, inland marine, and boiler/machinery. There has been no reduction in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 150 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's annual contributions to the Pool for the year ended June 30, 2011 were approximately \$15,200.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim. For members requiring specific coverage from \$3,000,000 to \$12,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured by The Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2011 settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

CITY OF TAMA, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 7 - RISK MANAGEMENT - Continued

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund for the casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its casualty capital contributions. However, the refund is reduced by an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City also carries commercial insurance purchased from the other insurers for coverage associated with workers' compensation, and property coverage and automobile liability in the amount of \$500,000, 90% of value, and \$1,000,000, respectively. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 8 - DEFICIT BALANCE

The Enterprise Fund, Sewer Fund had a deficit balance of \$5,385 at June 30, 2011. The deficit balance was a result of operating costs incurred exceeding the charges for services for the year. The deficit will be eliminated during fiscal year 2012.

NOTE 9 - OTHER POST EMPLOYMENT BENEFITS (OPEB)

Plan Description: As required by state law, the City offers health insurance to former employees who have retired after age 55, but have not reached Medicare eligibility. The fully insured plan is a part of the plan offered to all City employees, and the retiree must pay a health insurance premium equal to that charged for current employees. There are 12 active employees and no retirees currently covered by the Plan.

Potential for Liability: The City currently finances a retiree benefit plan on a pay-as-you-go basis. A review of the City's current and potential future exposure to this requirement resulted in the conclusion that no material liability exists.

NOTE 10 - COMMITMENTS AND CONTINGENCY

Construction Contracts

The City has entered into agreements for street repairs with an estimated cost of \$418,000, none of which has been paid as of June 30, 2011. The projects will be financed with the use of existing funds.

Subsequent Event

The City has evaluated all subsequent events through January 3, 2012, the date the financial statements were available to be issued.

* * *

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF TAMA, IOWA
BUDGETARY COMPARISON SCHEDULE
OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES -
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL
FUNDS AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION

Year ended June 30, 2011

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	\$ 810,706	\$ --	\$ --
Other city tax	192,340	--	--
Licenses and permits	22,470	--	--
Use of money and property	76,727	7,564	--
Intergovernmental	747,994	--	--
Charges for service	278,591	709,890	--
Miscellaneous	150,832	28,674	--
Total receipts	<u>2,279,660</u>	<u>746,128</u>	<u>--</u>
Disbursements:			
Public safety	661,424	--	--
Public works	446,472	--	--
Health and social services	8,013	--	--
Culture and recreation	233,054	--	--
Community and economic development	34,246	--	--
General government	149,633	--	--
Debt service	256,101	--	--
Capital projects	222,939	--	--
Business type activities	--	1,525,919	--
Total disbursements	<u>2,011,882</u>	<u>1,525,919</u>	<u>--</u>
Excess (deficiency) of receipts over (under) disbursements	267,778	(779,791)	--
Other financing sources (uses), net	<u>--</u>	<u>791,142</u>	<u>--</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	267,778	11,351	--
Balances beginning of year	<u>3,334,926</u>	<u>446,858</u>	<u>--</u>
Balances end of year	<u>\$ 3,602,704</u>	<u>\$ 458,209</u>	<u>\$ --</u>

See accompanying independent auditor's report.

<u>Total</u>	<u>Budgeted Amounts</u>		<u>Final to Total Variance</u>
	<u>Original</u>	<u>Final</u>	
\$ 810,706	\$ 803,303	\$ 803,303	\$ 7,403
192,340	196,462	196,462	(4,122)
22,470	1,025	1,025	21,445
84,291	110,770	110,770	(26,479)
747,994	361,491	399,991	348,003
988,481	1,089,675	1,089,675	(101,194)
179,506	21,251	29,751	149,755
<u>3,025,788</u>	<u>2,583,977</u>	<u>2,630,977</u>	<u>394,811</u>
661,424	703,487	745,487	84,063
446,472	513,123	539,565	93,093
8,013	6,650	9,900	1,887
233,054	231,133	240,033	6,979
34,246	15,000	49,000	14,754
149,633	153,045	153,045	3,412
256,101	255,952	255,952	(149)
222,939	66,202	289,828	66,889
<u>1,525,919</u>	<u>1,097,715</u>	<u>1,572,316</u>	<u>46,397</u>
<u>3,537,801</u>	<u>3,042,307</u>	<u>3,855,126</u>	<u>317,325</u>
(512,013)	(458,330)	(1,224,149)	712,136
<u>791,142</u>	<u>--</u>	<u>865,601</u>	<u>(74,459)</u>
279,129	(458,330)	(358,548)	637,677
<u>3,781,784</u>	<u>3,780,522</u>	<u>3,780,522</u>	<u>1,262</u>
<u>\$ 4,060,913</u>	<u>\$ 3,322,192</u>	<u>\$ 3,421,974</u>	<u>\$ 638,939</u>

CITY OF TAMA, IOWA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION -
BUDGETARY REPORTING

June 30, 2011

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted included disbursements for the General Fund, Special Revenue Funds, the Debt Service Fund, Capital Projects Funds, the Permanent Fund, and Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$812,819. The budget amendments are reflected in the final budgeted amount.

During the year ended June 30, 2011, disbursements exceeded the amounts budgeted in the debt service function.

OTHER SUPPLEMENTARY INFORMATION

CITY OF TAMA, IOWA
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
NON-MAJOR GOVERNMENTAL FUNDS

As of and for the year ended June 30, 2011

	<u>Special Revenue</u>		<u>Capital Projects</u>	
	<u>Local Option Sales Tax</u>	<u>Trust & Agency</u>	<u>Capital Projects</u>	<u>Community Development</u>
Receipts:				
Other city tax	\$ 62,119	\$ --	\$ --	\$ --
Use of money and property	--	1,965	4,290	--
Intergovernmental	--	2,056	2,257	--
Miscellaneous	--	86,333	5,181	11,960
Total receipts	<u>62,119</u>	<u>90,354</u>	<u>11,728</u>	<u>11,960</u>
Disbursements:				
Operating:				
Public safety	--	12,315	--	--
Culture and recreation	--	21,984	--	--
Community and economic development	--	28,500	--	--
General government	--	100	--	--
Capital projects	--	--	19,796	3,147
Total disbursements	<u>--</u>	<u>62,899</u>	<u>19,796</u>	<u>3,147</u>
Excess (deficiency) of receipts over (under) disbursements	62,119	27,455	(8,068)	8,813
Other financing sources (uses):				
Operating transfers in	--	--	15,000	--
Operating transfers out	(62,119)	--	--	(15,000)
Total other financing sources (uses)	<u>(62,119)</u>	<u>--</u>	<u>15,000</u>	<u>(15,000)</u>
Net change in cash balances	--	27,455	6,932	(6,187)
Cash balances, beginning of year	<u>--</u>	<u>121,775</u>	<u>19,944</u>	<u>75,141</u>
Cash balances, end of year	<u>\$ --</u>	<u>\$ 149,230</u>	<u>\$ 26,876</u>	<u>\$ 68,954</u>
Cash Basis Fund Balances				
Nonspendable - Cemetery perpetual care	\$ --	\$ --	\$ --	\$ --
Restricted for:				
Capital projects	--	--	26,876	68,954
Other purposes	<u>--</u>	<u>149,230</u>	<u>--</u>	<u>--</u>
Total cash basis fund balances	<u>\$ --</u>	<u>\$ 149,230</u>	<u>\$ 26,876</u>	<u>\$ 68,954</u>

See accompanying independent auditor's report.

Capital Projects				Permanent Cemetery Perpetual Care	Total
Downtown	New Pool	2006 Street Improvement	Water		
\$ --	\$ 105,308	\$ --	\$ --	\$ --	\$ 167,427
--	2,639	--	--	1,468	10,362
--	--	--	--	--	4,313
--	--	--	--	--	103,474
--	107,947	--	--	1,468	285,576
--	--	--	--	--	12,315
--	--	--	--	8	21,992
--	--	--	--	--	28,500
--	--	--	--	--	100
--	--	140,847	--	--	163,790
--	--	140,847	--	8	226,697
--	107,947	(140,847)	--	1,460	58,879
--	--	--	--	--	15,000
(206,131)	(110,394)	--	--	--	(393,644)
(206,131)	(110,394)	--	--	--	(378,644)
(206,131)	(2,447)	(140,847)	--	1,460	(319,765)
206,131	135,119	189,331	16,249	55,977	819,667
\$ --	\$ 132,672	\$ 48,484	\$ 16,249	\$ 57,437	\$ 499,902
\$ --	\$ --	\$ --	\$ --	\$ 57,437	\$ 57,437
--	132,672	48,484	16,249	--	293,235
--	--	--	--	--	149,230
\$ --	\$ 132,672	\$ 48,484	\$ 16,249	\$ 57,437	\$ 499,902

CITY OF TAMA, IOWA
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BALANCES
NON-MAJOR ENTERPRISE FUNDS

As of and for the year ended June 30, 2011

	<u>Water Revenue Bond</u>	<u>Sewer Rehabilitation</u>
Receipts:		
Charges for services	\$ 36,800	\$ 25,008
Total receipts	<u>36,800</u>	<u>25,008</u>
Non-operating receipts (disbursements):		
Debt service	(44,623)	--
Capital projects	<u>--</u>	<u>(14,831)</u>
Total non-operating receipts (disbursements)	<u>(44,623)</u>	<u>(14,831)</u>
Excess (deficiency) of receipts over (under) disbursements	(7,823)	10,177
Other financing sources (uses):		
Operating transfers in	--	--
Operating transfers out	<u>--</u>	<u>--</u>
Total other financing sources (uses)	<u>--</u>	<u>--</u>
Net change in cash balances	(7,823)	10,177
Cash balance beginning of year	<u>49,892</u>	<u>25,240</u>
Cash balance end of year	<u>\$ 42,069</u>	<u>\$ 35,417</u>
Cash Basis Fund Balances		
Restricted for debt service	\$ 42,069	\$ --
Unrestricted	<u>--</u>	<u>35,417</u>
Total cash basis fund balances	<u>\$ 42,069</u>	<u>\$ 35,417</u>

See accompanying independent auditor's report.

<u>Sewer Replacement</u>	<u>Sewer Revenue Bond</u>	<u>Total</u>
\$ 25,008	\$ 140,100	\$ 226,916
25,008	140,100	226,916
--	(140,104)	(184,727)
(7,005)	--	(21,836)
(7,005)	(140,104)	(206,563)
18,003	(4)	20,353
--	--	--
--	(18,000)	(18,000)
--	(18,000)	(18,000)
18,003	(18,004)	2,353
105,138	34,325	214,595
<u>\$ 123,141</u>	<u>\$ 16,321</u>	<u>\$ 216,948</u>
\$ --	\$ 16,321	\$ 58,390
123,141	--	158,558
<u>\$ 123,141</u>	<u>\$ 16,321</u>	<u>\$ 216,948</u>

CITY OF TAMA, IOWA
SCHEDULE OF INDEBTEDNESS
Year ended June 30, 2011

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General Obligation Bonds:			
Corporate Purpose Bonds Series 2006	August 1, 2006	4.10% - 4.63%	\$ 1,500,000
Aquatics Center Notes Series 2004A	August 1, 2004	3.40% - 4.75%	1,165,000
Aquatics Center Notes Series 2004B	August 1, 2004	3.60% - 5.00%	300,000
Total			
Revenue Bonds:			
State revolving fund loans:			
Sewer	October 1, 1993	3.00%	1,784,000
Water	December 9, 2009	3.00%	755,000
Water	January 13, 2010	3.00%	355,000
Total			

See accompanying independent auditor's report.

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
\$ 1,180,000	\$ --	\$ 85,000	\$ 1,095,000	\$ 52,139	\$ 3,735
940,000	--	50,000	890,000	41,168	2,743
<u>250,000</u>	<u>--</u>	<u>15,000</u>	<u>235,000</u>	<u>11,445</u>	<u>773</u>
<u>\$ 2,370,000</u>	<u>\$ --</u>	<u>\$ 150,000</u>	<u>\$ 2,220,000</u>	<u>\$ 104,752</u>	<u>\$ 7,251</u>
\$ 528,000	\$ --	\$ 124,000	\$ 404,000	\$ 15,840	\$ 996
21,724	733,276	27,000	728,000	15,736	1,795
<u>297,134</u>	<u>57,866</u>	<u>355,000</u>	<u>--</u>	<u>--</u>	<u>--</u>
<u>\$ 846,858</u>	<u>\$ 791,142</u>	<u>\$ 506,000</u>	<u>\$ 1,132,000</u>	<u>\$ 31,576</u>	<u>\$ 2,791</u>

CITY OF TAMA, IOWA
BOND AND NOTE MATURITIES
June 30, 2011

General Obligation Bonds and Notes							
	Aquatic Center Series 2004A		Aquatic Center Series 2004B		Corporate Purpose Bond Series 2006		
	Issued August 1, 2004		Issued August 1, 2004		Issued August 1, 2006		
Year ending June 30,	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Total
2012	3.75%	\$ 50,000	4.00%	\$ 15,000	4.20%	\$ 90,000	\$ 155,000
2013	3.90	55,000	4.10	15,000	4.25	95,000	165,000
2014	4.00	55,000	4.20	15,000	4.30	100,000	170,000
2015	4.10	60,000	4.30	15,000	4.35	100,000	175,000
2016	4.20	60,000	4.40	15,000	4.40	105,000	180,000
2017	4.30	65,000	4.50	15,000	4.45	110,000	190,000
2018	4.40	65,000	4.60	20,000	4.50	115,000	200,000
2019	4.50	70,000	4.70	20,000	4.55	120,000	210,000
2020	4.60	75,000	4.80	20,000	4.60	125,000	220,000
2021	4.75	80,000	4.90	20,000	4.63	135,000	235,000
2022	4.75	80,000	5.00	20,000			100,000
2023	4.75	85,000	5.00	20,000			105,000
2024	4.75	90,000	5.00	25,000			115,000
2025							
2026							
2027							
2028							
2029							
2030							
		<u>\$ 890,000</u>		<u>\$ 235,000</u>		<u>\$1,095,000</u>	<u>\$2,220,000</u>

See accompanying independent auditor's report.

State Revolving Fund Loans				
Sewer Revenue Bonds		Water Revenue Bonds		
Issued October 1, 1993		Issued December 9, 2009		
Interest Rates	Amount	Interest Rates	Amount	Total
3.00%	\$ 129,000	3.00%	\$ 28,000	\$ 157,000
3.00	135,000	3.00	29,000	164,000
3.00	140,000	3.00	30,000	170,000
		3.00	31,000	31,000
		3.00	32,000	32,000
		3.00	33,000	33,000
		3.00	34,000	34,000
		3.00	36,000	36,000
		3.00	37,000	37,000
		3.00	38,000	38,000
		3.00	39,000	39,000
		3.00	40,000	40,000
		3.00	42,000	42,000
		3.00	43,000	43,000
		3.00	44,000	44,000
		3.00	46,000	46,000
		3.00	47,000	47,000
		3.00	49,000	49,000
		3.00	50,000	50,000
	<u>\$ 404,000</u>		<u>\$ 728,000</u>	<u>\$1,132,000</u>

CITY OF TAMA, IOWA
SCHEDULE OF RECEIPTS BY SOURCE AND
DISBURSEMENTS BY FUNCTION -
ALL GOVERNMENTAL FUNDS
For the Last Nine Years

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Receipts:				
Property tax	\$ 810,706	\$ 796,693	\$ 801,098	\$ 712,597
Tax increment financing	--	280	14,346	146,711
Other city tax	192,340	191,856	190,769	188,009
Licenses and permits	22,470	21,432	23,201	22,074
Use of money and property	76,727	98,575	115,714	133,115
Intergovernmental	747,994	436,193	365,229	320,417
Charges for service	278,591	305,211	275,908	216,762
Miscellaneous	<u>150,832</u>	<u>126,244</u>	<u>138,064</u>	<u>130,476</u>
Total	<u>\$ 2,279,660</u>	<u>\$ 1,976,484</u>	<u>\$ 1,924,329</u>	<u>\$ 1,870,161</u>
Disbursements:				
Operating:				
Public safety	\$ 661,424	\$ 662,443	\$ 619,137	\$ 652,322
Public works	446,472	462,054	493,610	393,019
Health and social services	8,013	5,918	5,902	5,148
Culture and recreation	233,054	231,711	222,852	212,392
Community and economic development	34,246	13,952	19,618	22,295
General government	149,633	145,019	142,122	137,601
Debt service	256,101	256,496	251,516	256,386
Capital projects	<u>222,939</u>	<u>258,189</u>	<u>219,250</u>	<u>257,080</u>
Total	<u>\$ 2,011,882</u>	<u>\$ 2,035,782</u>	<u>\$ 1,974,007</u>	<u>\$ 1,936,243</u>

See accompanying independent auditor's report.

<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
\$ 702,341	\$ 700,983	\$ 641,617	\$ 669,969	\$ 705,032
45,112	584	30,210	14,471	5,809
188,492	163,440	157,064	133,376	33,298
19,356	18,908	19,794	19,788	22,477
133,508	101,270	118,227	106,243	72,016
304,191	328,713	364,766	271,417	804,352
220,532	205,672	223,582	184,486	183,942
<u>105,671</u>	<u>111,858</u>	<u>246,191</u>	<u>229,661</u>	<u>74,559</u>
<u>\$ 1,719,203</u>	<u>\$ 1,631,428</u>	<u>\$ 1,801,451</u>	<u>\$ 1,629,411</u>	<u>\$ 1,901,485</u>
\$ 591,352	\$ 621,918	\$ 593,193	\$ 501,974	\$ 449,528
380,275	407,346	386,834	530,715	386,698
5,308	3,439	4,089	4,814	3,011
198,534	195,941	169,609	176,179	140,647
26,434	24,990	22,277	22,028	--
130,406	130,434	127,852	124,930	118,362
244,857	249,958	186,362	178,885	176,842
<u>940,624</u>	<u>469,942</u>	<u>1,460,820</u>	<u>798,672</u>	<u>563,366</u>
<u>\$ 2,517,790</u>	<u>\$ 2,103,968</u>	<u>\$ 2,951,036</u>	<u>\$ 2,338,197</u>	<u>\$ 1,838,454</u>

CITY OF TAMA, IOWA
 SCHEDULE OF SEWER SERVICE CHARGES
 Year ended June 30, 2011

	<u>Category A</u>	<u>Category B</u>
Criteria:	Users who discharge normal domestic strength wastewater	Users who discharge concentration levels greater than Category A users
Allowable concentration levels:	BOD* no greater than 300 mg/l Suspended solids no greater than 350 mg/l Ammonia nitrogen no greater than 40 mg/l	
Fixed monthly charge:	\$10.00	\$10.00
Volume charge:	\$4.62/1,000 gallons	\$4.62/1,000 gallons
Surcharge for concentration levels exceeding Category A:		BOD* \$0.32/lb suspended solids \$0.17/lb ammonia nitrogen \$1.16/lb

* Biochemical oxygen demand

See accompanying independent auditor's report.

CITY OF TAMA, IOWA
SCHEDULE OF INSURANCE IN FORCE
Year ended June 30, 2011

<u>Insurer</u>	<u>Policy Number</u>	<u>Type of Coverage</u>
Allied Insurance	ACP WC 7150261971	Workers' Compensation Employer's Liability
Allied Insurance	ACP 7150261971 ACP BA7150261971 ACP CIM715-261971	Commercial property Auto Commercial Inland Marine and scheduled property
Iowa Communities Assurance Pool	0019	General Liability/ Officials Liability Law Enforcement Liability Fidelity bond

See accompanying independent auditor's report.

<u>Policy Period</u>	<u>Exposure Coverage</u>	<u>Amount of Coverage</u>
4/1/11 to 4/1/12	Worker's Compensation All Employees	Statutory \$500,000/Accident \$500,000/Employee \$500,000/Policy Limit
4/1/11 to 4/1/12	Property Damage	90% of value
4/1/11 to 4/1/12	Auto Liability	\$1,000,000 Liability
4/1/11 to 4/1/12	Non Real Estate Property	Replacement Value
4/1/11 to 4/1/12	General Liability	\$2,000,000
	Officials Liability	\$2,000,000
	Law Enforcement Liability	\$2,000,000
1/1/11 to 1/1/12	Employee Performance	\$50,000

CITY OF TAMA, IOWA
SCHEDULE OF LEGAL DEBT MARGIN
June 30, 2011

Valuation of City as of January 1, 2009	\$ 92,371,467
Legal debt limitation percentage	<u>5%</u>
Legal debt limitation	4,618,573
General obligation indebtedness outstanding as of June 30, 2011	<u>2,220,000</u>
Legal Debt Margin	<u><u>\$ 2,398,573</u></u>

See accompanying independent auditor's report.

COMMENTS AND RECOMMENDATIONS

Gronewold, Bell, Kyhnn & Co. P.C.

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS AND FINANCIAL CONSULTANTS

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Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Honorable Mayor and
Members of the City Council

We have audited the accompanying financial statements of the governmental activities, business type activities, each major fund and the aggregate remaining fund information of City of Tama, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated January 3, 2012. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Tama's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City of Tama's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Tama's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses, and, therefore, there can be no assurance all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

To the Honorable Mayor and
Members of the City Council

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis.

A significant deficiency is a deficiency or combination of deficiencies in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item 11-I-A to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Tama's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Tama's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City of Tama's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Tama and other parties to whom the City of Tama may report. This report is not intended to be and should not be used by anyone other than these specified parties.

Gamerella, Ben, Kuhn & W.P.C.

Atlantic, Iowa
January 3, 2012

CITY OF TAMA, IOWA

Schedule of Findings

Year ended June 30, 2011

PART I: Findings Related to the Financial Statements

SIGNIFICANT DEFICIENCIES:

- 11-I-A Segregation of Duties: One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. However, because there are a limited number of people that have the primary responsibility for the accounting and financial duties, those aspects of internal accounting control which rely upon an adequate segregation of duties are missing in the City.

Recommendation: We recommend that the City review its control procedures to obtain the maximum internal control possible under the circumstances and the Council be aware of the lack of segregation of duties and that they act as an oversight group to the accounting personnel.

Response: We will continue work in this area to increase segregation of duties.

Conclusion: Response accepted.

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CITY OF TAMA, IOWA

Schedule of Findings

Year ended June 30, 2011

PART II: Other Findings Related to Statutory Reporting

- 11-II-A Certified Budget: Disbursements during the year ended June 30, 2011 exceeded the amounts budgeted in the debt service function. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

Recommendation: The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response: The budget will be amended in the future, if applicable.

Conclusion: Response accepted.

- 11-II-B Questionable Disbursements: During the audit, we did not note any disbursements that did not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

- 11-II-C Travel Expense: No expenditures of City money for travel expenses of spouses of City officials and/or employees were noted.

- 11-II-D Business Transactions: In accordance with Chapter 362.5(3) of the Code of Iowa, no transactions between the City and the City officials and City employees were noted that represented conflicts of interest.

- 11-II-E Bond Coverage: Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

- 11-II-F Council Minutes: No transactions were found that we believe should have been approved in the Council minutes but were not.

- 11-II-G Deposits and Investments: We noted no instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa.

- 11-II-H Revenue Bonds: No instances of non-compliance with revenue bond and note resolutions were noted, except the City has not prepared its financial statements using the accrual method of accounting, including a balance sheet, as of June 30, 2011 as required by one of its revenue bonds. This requirement is contrary to the City's normal cash basis method of reporting.

Recommendation: The City should obtain a waiver from this provision.

Response: The City will try to obtain a waiver from this provision.

Conclusion: Response accepted.

CITY OF TAMA, IOWA

Schedule of Findings

Year ended June 30, 2011

PART II: Other Findings Related to Statutory Reporting - Continued

- 11-II-I Inactive Capital Project Fund: The City has a material balance in an inactive capital project fund.

Recommendation: The City should reclassify funds and transfer to the General Fund.

Response: The City will take it under advisement.

Conclusion: The City should consider the implications of restrictions on funds in inactive funds.

- 11-II-J Financial Condition: The Sewer Fund had a deficit balance of \$5,385 at June 30, 2011.

Recommendation: The City should investigate alternatives to eliminate this deficit in order to return this fund to a sound financial position.

Response: The deficit will be eliminated in fiscal year 2012.

Conclusion: Response accepted.

- 11-II-K Notice of Public Hearing and Bidding for Public Improvements: The City did not publish a bid offering or have a notice of public hearing on the McClellan curb and gutter replacement as required by Chapters 26.3 through 26.13 and Chapter 314.1B of the Code of Iowa.

Recommendation: Before entering into a contract for a road, bridge or culvert construction project with an estimated total cost in excess of \$48,000, the Council should ask for bids and hold a public hearing.

Response: We will ask for bids and publish the appropriate notices in the future as required.

Conclusion: Response accepted.

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